

# **United States Army**

## **CID Command**

***“...The U.S. Army Criminal Investigation Command (USACIDC) is the premier DoD Investigative agency....Our command is one team of Active and Reserve Component soldiers and civilians trained and ready to perform across the full spectrum of operations....”***



# **USACIDC MISSION**

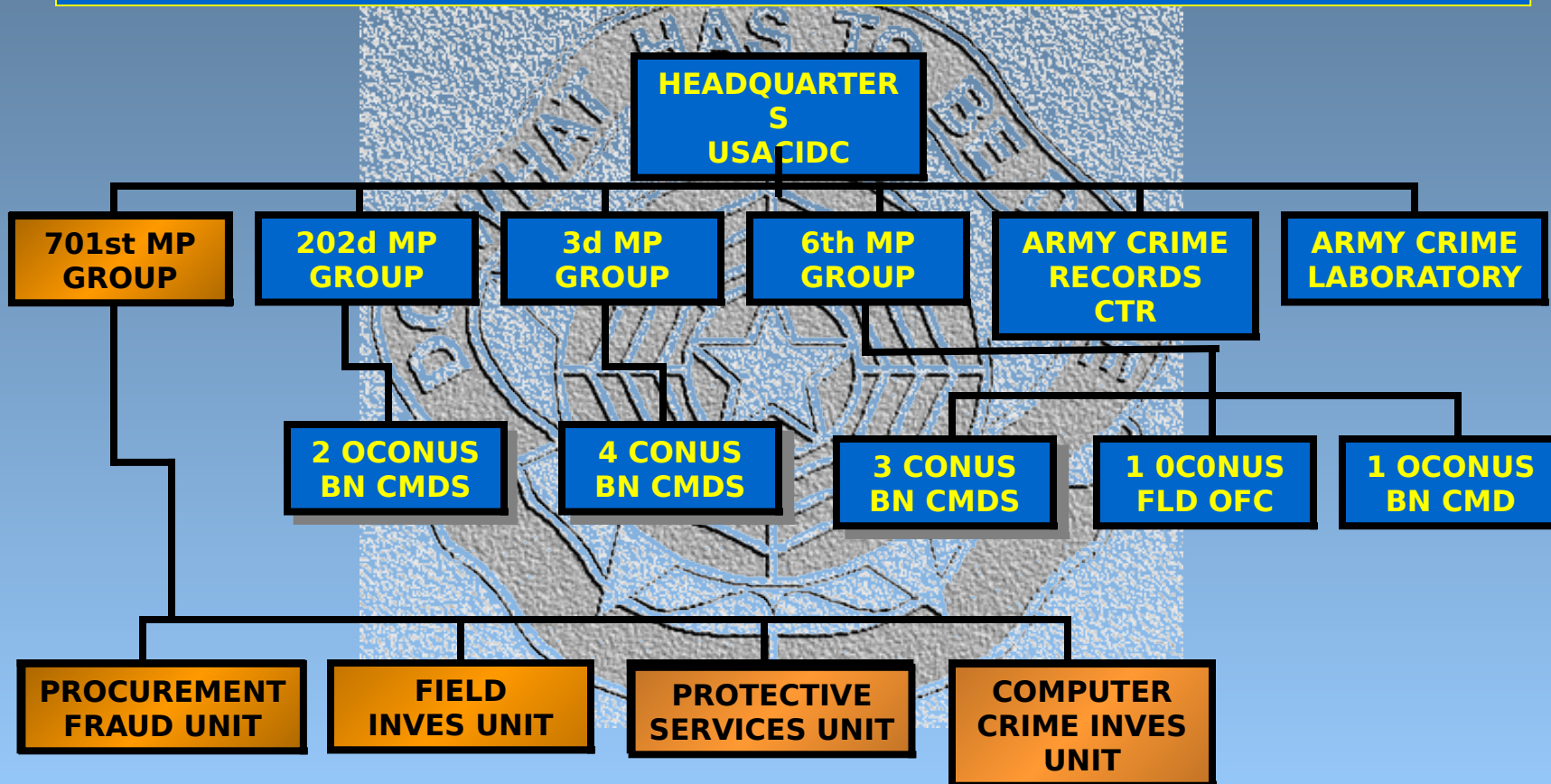
- **Investigate and deter serious crimes**
- **Conduct Sensitive/Special Investigations**
- **Collect, analyze, process and disseminate Criminal Intelligence**
- **Conduct Protective Service operations**
- **Provide forensic laboratory support**
- **Maintain Army criminal records**
- **Conduct Logistics Security**



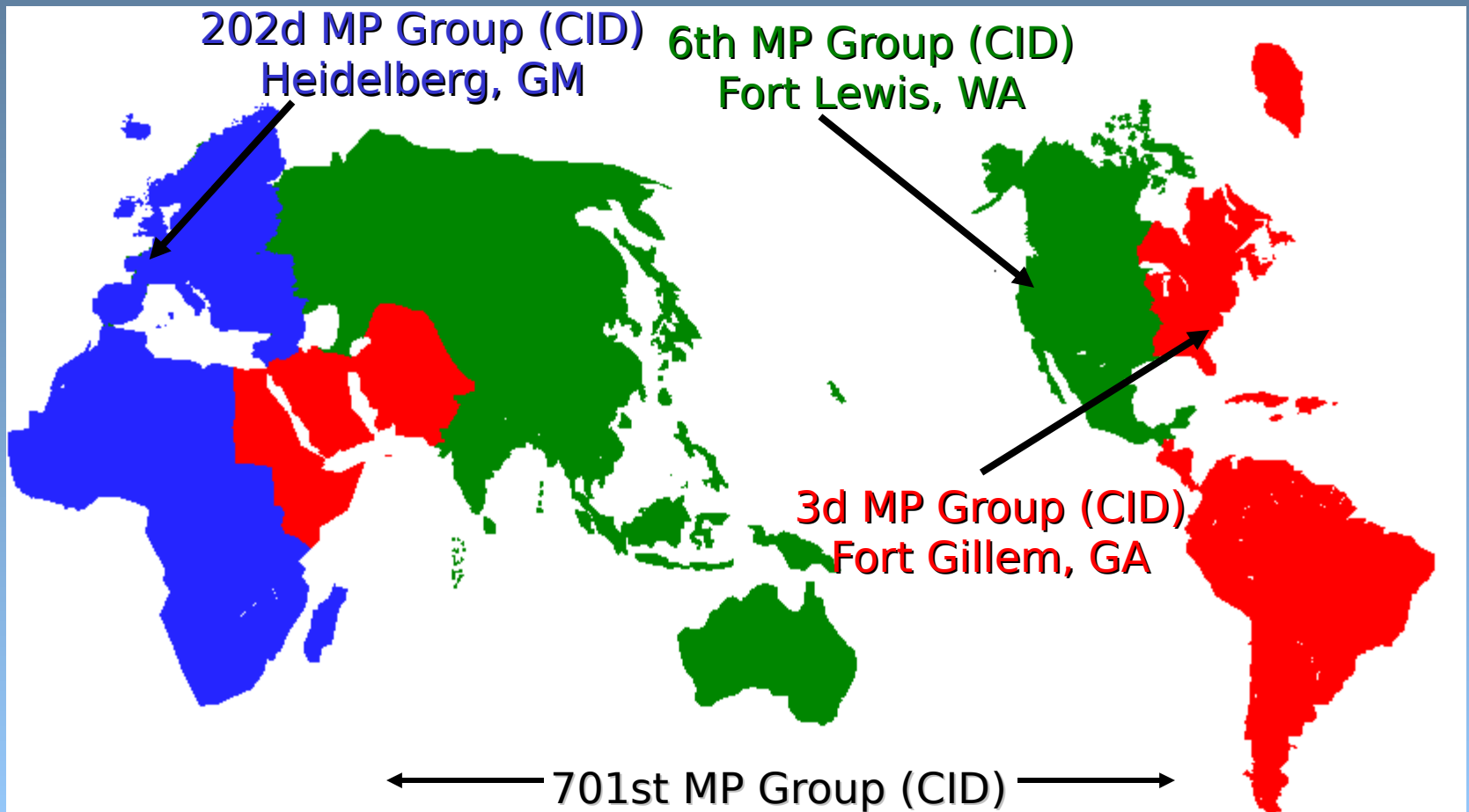


# USACIDC ORGANIZATION

**“ MTOE focus to provide commanders with deployable criminal investigators.”**



# AREAS OF RESPONSIBILITY





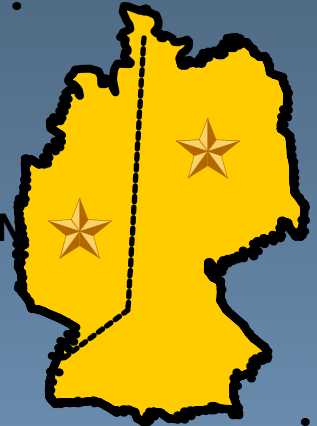
# BATTALION AORs

BAVARIA DIST  
BAMBERG, GE

ALASKA



5TH MP BN  
KAISERSLAUTERN



FT RILEY DIST  
FT RILEY

FT CAMPBELL DIST  
FT CAMPBELL

22D MP BN  
FT LEWIS

19TH MP BN  
YONGSAN



HAWAII  
FLD OFC



WASH DIST  
FT MYER

10TH MP BN  
FT BRAGG

FT BENNING DIST  
FT BENNING

11TH MP BN  
FT HOOD

78 SUBORDINATE UNITS

# Major Procurement Fraud Unit (MPFU)

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# MPFU Mission

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- Investigate allegations of fraud, defective pricing, corruption, kickbacks, antitrust violations and other crimes involving army major procurement actions
- Assist other CID elements in investigations of installation contract fraud
- Deter contract fraud
- Conduct Logistical Security Operations independently or in conjunction with other CID elements

**NORTH CENTRAL FFO**

Detroit FRA  
Twin Cities FRA  
Indianapolis FRA  
Columbus FRA  
Rock Island FRA

**NEW ENGLAND FFO**

Boston FRA  
Syracuse FRA  
Hartford FRA  
Brooklyn FRA

**PACIFIC FFO**

Laguna Niguel FRA  
San Francisco FRA  
Portland FRA  
San Diego FRA  
Phoenix FRA

**Laguna**

**Detroit**

**Ayer**

**National  
Capitol Rgn**

**MID ATLANTIC FFO**

New Jersey FRA  
Maryland FRA  
Washington Metro FRA  
Philadelphia FRA  
Newport News FRA  
Raleigh FRA

**MPFU Far East**

Yongsan, Korea

**Dallas**

**SOUTHWESTERN FFO**

Dallas FRA  
Colorado Springs FRA  
San Antonio FRA  
St. Louis FRA

**Atlanta**

**SOUTHEASTERN FFO**

Huntsville FRA  
Atlanta FRA  
Florida FRA  
Vicksburg FRA

**Special Investigation Branch**

202nd MP GRP (CID)  
Heidelberg, Germany

**Field Office Locations in  
Yellow**





# SOURCES OF INVESTIGATIONS

- Audits/Reviews
- Contracting Officers/Specialists
- Procurement Fraud Advisors
- DODIG Hotline Complaints
- Quality Assurance
- Qui Tam
- Voluntary Disclosures
- End Users

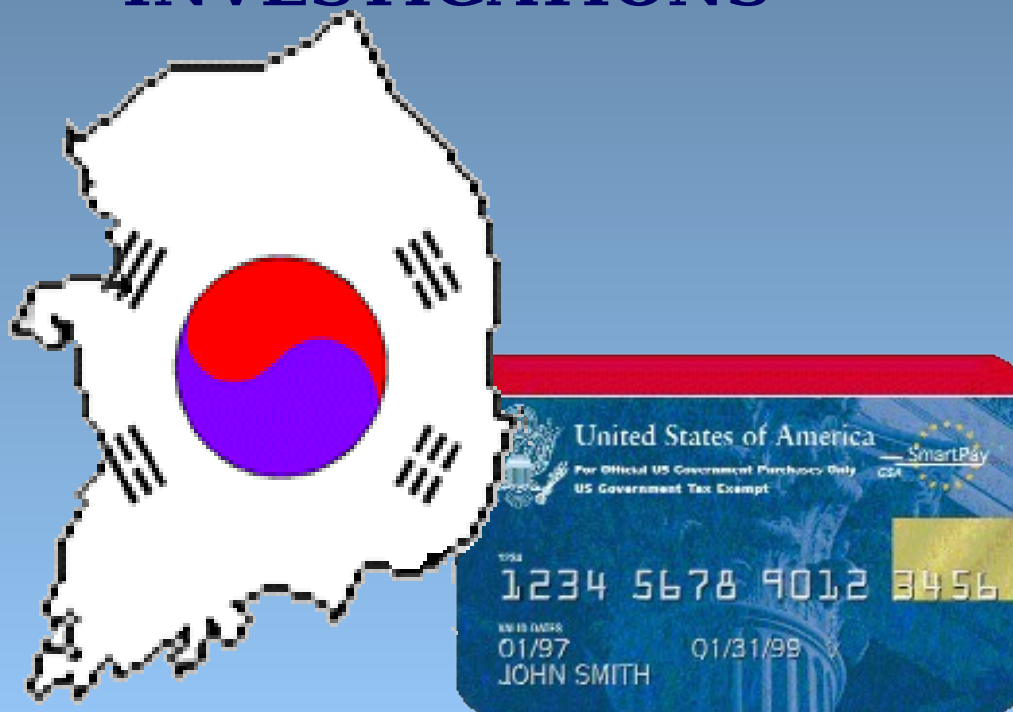


# FRAUD INVESTIGATIVE PROCESS

- **Process:**
  - Preliminary Inquiry - Ensure allegation is credible before committing resources.
  - Formal Investigation - Establish a remedy path that is in the best interest of the government. (Criminal, Civil, Contractual, Administrative)
- **Outcome Goal:**
  - Make the Army whole (replace non-conforming products; gain future concessions; and recover all losses)
  - Ensure the remedy is severe enough to serve as a deterrent



# MPFU FAR EAST GOVERNMENT PURCHASE CARD INVESTIGATIONS





# USFK GPC Program

- Allegation of widespread Government Purchase Card (GPC) fraud and mismanagement was reported by 8<sup>th</sup> U.S. Army
- 370 GPC accounts and 2600 individual card holders.



# **BACKGROUND**

## **1997:**

- IRAC initiated review of GPC in USFK
- \$2,500.00 limit imposed
- Cards were not widely used.
- Indicators of collusion between Korean vendors.

## **2000:**

- IRAC begins full review of GPC activity in USFK
- Number of cards issued increased, numerous had \$25,000.00 limit.
- Reviews targeted Directorate of Public Works (DPW) in Taegu & Pusan.
- Taegu lacked controls and oversight resulting in many problems
- Pusan maintained tighter controls resulting in fewer





# BACKGROUND

**2000-2001:** CID initiates some GPC investigations based on IRAC review

**2002:** IRAC initiates review of GPC activity at NAF/MWR based on CID request.

**AUG 2002:** IRAC initiates review of GPC activity at DPW, Area 2.

**MAY 2003:** 19<sup>th</sup> MP Bn (CID) requests assistance from MPFU

**JUN 2003:** MPFU and IRAC form Task Force to address GPC fraud.



# Task Force



- Special Agent In Charge (MPFU)
- Four (4) Special Agents (MPFU)
- Four (4) IRAC Auditors
- Criminal Intel/Analyst Team (MPFU Agent and IOA)
- Two Special Agents (19<sup>th</sup> MP BN CID)

Later: Two (2) AAA Auditors



# Strategy

- Crim Intel analyzed to identify significant targets
  - DFAS/DMDC Data Base
  - Link Analysis
  - Contractor/Employee Information Files
  - Historical IRAC audits and CID ROIs
- Case prioritization based on loss to the Govt, extent of conspiracy, and potential for prosecution
- Direction and scope based on potential legal and/or administrative action
- Investigative Plan is developed to compliment the desired direction and results



# Strategy

- Research and preparation stage:
  - FINCEN; Name Checks; biographical data
- GPC Records are seized and reviewed
  - Documents identified for collection as evidence
- Govt computers seized and analyzed
- Interviews of Witnesses and Subjects
- Crime Prevention Survey initiated to capture and report crime conducive conditions
- Investigations remain open throughout



# Investigative & Audit Findings

- Govt cardholders solicited bribes and received kickbacks
- Govt cardholders conspired with other Govt employees to direct business to specific vendors
- Govt employees prepared falsified documents in support of purchases
- Collusion between vendors resulted in overpricing of supplies and services purchased





# Investigative & Audit Findings

- Korean vendors created fictitious companies creating the illusion of a legitimate bidding process.
- Korean vendor offered \$20,000.00 bribe to IRAC auditor to influence an audit.
- Collusive bidding practices between Korean vendors extended to contracts awarded by CCK.
- The same group of vendors always competed against each other.
- Competing bids submitted were mirror images of each other to include grammatical and spelling



# Investigative & Audit Findings

- Signature impressions from one bid appeared on others
- Bids were submitted via the same facsimile machine
- Bids were submitted with the same identifying information
- Govt cardholders get up to 10% kickback from vendors
- Korean vendors had several names for one company



# Systemic Weaknesses

- Inadequate review of purchases by Approving Officials (AOs).
- AOs did not recognize repetitive and excessive purchases from same vendors.
- AOs did not challenge or attempt to verify vendor prices accepted by cardholders.
- AOs allowed cardholders to substitute contracting with GPC purchases.
- Cardholders relied solely on middlemen rather than best source



# Systemic Weaknesses

- Cardholders made no effort to verify prices were fair and reasonable
- Ineffective Command Oversight programs seriously misled commanders
- Annual CCK reviews of cardholder records did not include determination of price reasonableness
- Command Inspection Program (CIP) inspections were too limited in scope



# Players



- Commander, 8<sup>th</sup> U.S. Army
- Director, IMA, Korea (KORO)
- Commander, 34<sup>th</sup> Support Grp
- Office of the Staff Judge Advocate, 8<sup>th</sup> U.S. Army
- Korean Prosecutor's Office, Seoul, Korea
- IRAC, 8<sup>th</sup> U.S. Army
- DFAS Data Mining (DMDC)
- Government Purchase Card Management Office (DoD)





# Results

- 16 Report of Investigations initiated
- 96 Subjects titled (Govt employees and contractors)
- Over \$5 million in overcharges and fraud identified
- Over \$20 million in criminal cost avoidance
- Numerous Govt employees removed/fired
- 10 Convictions in Korean court, more pending
- Comprehensive Crime Prevention Survey completed